

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 3353

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E.O. 11652: N/A

TAGS: EFIN, ETRD, COMECON

SUBJECT: IBEC OFFICIALS DESCRIBE THE "TRANSFERABLE RUBLE"

REFS: (A) MOSCOW 0639, (B) MOSCOW 0301

SUMMARY: EMBOFFS CALLED JANUARY 19 ON INTERNATIONAL BANK FOR ECONOMIC COOPERATION (IBEC) TO DISCUSS POTENTIAL SIGNIFICANCE OF RECENTLY PUBLICIZED IBEC COUNCIL DECISION CONCERNING NON-MEMBER PARTICIPATION IN "MULTILATERAL SETTLEMENTS IN TRANSFERABLE RUBLES." IBEC OFFICIALS SAID NEW REGULATIONS
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WOULD EXPEDITE SETTLEMENTS FOR UNBALANCED DELIVERY OF GOODS AND COULD BE EXTENDED TO COVER FULL VALUE OF IMPORTS. THEY CONCEDED NO WESTERN BANK HAD APPLIED FOR A CREDIT IN TRANSFERABLE RUBLES AND ACKNOWLEDGED THAT PRESUMABLY GOODS OF LESS THAN WORLD MARKET QUALITY WOULD BE PURCHASED BY SUCH MEANS. EMBOFFS ALSO REACHED CONCLUSIONS THAT USE OF TRANSFERABLE RUBLE (TR) IN MULTI-PARTY SETTLEMENTS WOULD IN MOST

IF NOT ALL CASES COVER TRANSACTIONS ARRANGED SIMULTANEOUSLY.
ASKED IF IBEC COULD GUARANTEE LOANS TO MEMBER COUNTRIES,
OFFICIALS CONFIRMED THAT THIS AUTHORITY WAS WITHIN THE
BANK'S CHARTER BUT SAID NO ONE HAD YET REQUESTED SUCH
GUARANTEES. END SUMMARY.

1. E/C COUNSELOR AND EMBOFF CALLED ON IBEC SECTION CHIEFS
K. MIROSHNICHENKO (TRANSFERABLE RUBLE) AND SUSAN KELEN
(CONVERTIBLE CURRENCY) JANUARY 19 TO DISCUSS IBEC OPERATIONS
AND PARTICULARLY OCTOBER DECISION OF IBEC COUNCIL TO "FURTHER
IMPROVE FACILITIES FOR PARTICIPATION BY NON-MEMBERS OF THE
BANK IN THE SYSTEM OF MULTI-LATERAL SETTLEMENTS IN TRANS-
FERABLE RUBLES." SESSION WAS CORDIAL, WITH IBEC OFFICIALS
HAILING GUESTS AS "PIONEERS", THE FIRST EVER FROM THE US EMBASSY
TO VISIT IBEC (WE ARE UNABLE TO CONFIRM OR DENY THIS STATEMENT). IBEC
OFFICIALS MADE THE FOLLOWING COMMENTS:

- BANKS OF NON-MEMBER COUNTRIES CAN PARTICIPATE IN SETTLEMENTS
IF THEY HAVE A CORRESPONDING RELATIONSHIP WITH IBEC; NO
OTHER AGREEMENT IS REQUIRED.

- ARTICLE IN LONDON FINANCIAL TIMES OF DECEMBER 17, 1976,
WAS GROSSLY INACCURATE IN ITS DESCRIPTION OF THE NEW PROCEDURES.
THE NARODNY BANK PRESS BULLETIN OF DECEMBER 8 IS ACCURATE.

- WESTERN BANKS HAVE SHOWN MUCH "INTEREST" IN THE PROCEDURES,
BUT NONE HAS YET SOUGHT AN IBEC CREDIT IN TRANSFERABLE RUBLES.

- IBEC WILL ACCEPT PAYMENT ONLY IN TRS OR CONVERTIBLE
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CURRENCY, NOT IN SUCH CURRENCY AS THE INDIAN RUPEE.

- WESTERN BANKS COULD TRADE AND DISCOUNT TRS WITH OTHER
BANKS MAINTAINING ACCOUNTS AT IBEC; SUCH TRANSACTIONS WOULD
BE OUTSIDE COMPETENCE OF IBEC OTHER THAN TO TRANSFER ACCOUNTS.

2. ACCORDING TO MIROSHNICHENKO THE NEW PROCEDURES WILL HAVE
THE FOLLOWING PRINCIPAL EFFECT:

(A) WHEREAS FORMERLY IT WAS NECESSARY FOR FIRMS DELIVERING
GOODS TO WAIT UP TO 3 YEARS FOR THE RECIPROCAL DELIVERY OF
GOODS TO OCCUR, NOW THIS WAS NO LONGER NECESSARY AND PAYMENT
(IN TR) CAN TAKE PLACE IMMEDIATELY;

(B) WHEREAS FORMERLY IBEC CREDITS COVERED ONLY 25 PERCENT
OF THE VALUE OF IMPORTS, THEY CAN NOW COVER UP TO 100 PERCENT;

(C) NOW IT IS POSSIBLE FOR IBEC TR CREDITS TO BE REPAYED IN
CONVERTIBLE CURRENCIES (BUT STILL NOT POSSIBLE TO REPAY CON-

VERTIBLE CURRENCY CREDITS IN TR'S).

3. WHEN ASKED IF NEW REGULATIONS WERE AIMED PRIMARILY AT LDC'S, MIROSHNICHENKO RESPONDED THAT IN HIS OPINION NEW IBEC ARRANGEMENTS COULD BE USEFUL TO BANKS BOTH IN LDC'S AND DC'S. FOR LDC'S WITH BILATERAL CLEARING AGREEMENTS WITH CEMA COUNTRIES, POSSIBILITY OF PAYMENT IN TR'S WOULD PERMIT THEM TO MULTILATERALIZE THESE ARRANGEMENTS. FOR BANKS IN DC'S IT WOULD PERMIT THEM TO MAKE AND RECEIVE PAYMENTS IN TR'S AS WELL AS GIVE THEM ACCESS TO CHEAP IBEC CREDITS.

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4. DURING DISCUSSION, MIROSHNICHENKO ACKNOWLEDGED THAT IT WOULD BE TO THE "ADVANTAGE" OF WESTERN FIRMS ACCEPTING PAYMENT IN TR'S TO ARRANGE FOR SIMULTANEOUS PURCHASE OF GOODS FROM EASTERN SELLER TO ENSURE THAT THEY COULD USE THE TR BALANCE TO ACQUIRE A DESIRABLE COMMODITY. KELEN, WHO IS HUNGARIAN, CONCEDED THAT TR'S COULD PROBABLY NOT BE USED IN PRACTICE

TO PURCHASE GOODS WHICH CEMA MEMBER STATES COULD EXPORT FOR
HARD CURRENCY BUT WOULD RATHER BE USED FOR ACQUISITION OF
"SECOND-LINE"GOODS.

5. ASKED IF IBEC HAD BEEN CALLED ON BY MEMBER COUNTRIES TO
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GUARANTEE LOANS FROM WESTERN BANKS, MIROSHNICHENKO CONFIRMED
THAT IBEC'S CHARTER GIVES IT THIS AUTHORITY. HOWEVER, HE
STATED, IT HAD NOT YET MADE SUCH GUARANTEES BECAUSE NO ONE THUS
FAR HAD REQUESTED THEM.

6. ASKED TO DELINEATE RESPONSIBILITIES OF IBEC AND ITS
SISTER BANK THE INTERNATIONAL INVESTMENT BANK (IIB),
MIROSHNICHENKO STATED THAT PURPOSE OF IBEC WAS TO PROMOTE
CEMA TRADE TURNOVER BOTH BY ACTING AS A CLEARING BANK AND
BY GRANTING SHORT-TERM FINANCIAL CREDITS. IIB ON OTHER HAND,
FOSTERS ECONOMIC DEVELOPMENT THROUGH LONG-TERM (10-15 YEARS)
PROJECT FINANCING. IIB, MOREOVER, KEEPS ITS FUNDS ON DEPOSIT
WITH IBEC, SINCE IBEC IS ONLY BANK IN WHICH TRANSFERABLE
RUBLES (TR'S CAN BE KEPT OR IN FACT EXIST. IBEC CREDITS
IN TR'S ARE GRANTED FOR UP TO 3 YEARS AND IN CONVERTIBLE
CURRENCIES FOR UP TO 5-7 YEARS. INTEREST RATE ON TR CREDITS
ARE 1.5 PERCENT; ON CONVERTIBLE -CURRENCY LOANS AT PREVAILING
WESTERN RATES. PRESENT PAID IN CAPITAL OF IBEC IS 120 MILLION
TR'S, OF WHICH 60 MILLION IS IN TR'S AND THE EQUIVALENT OF
60 MILLION TR'S IS IN CONVERTIBLE CURRENCIES. AUTHORIZED
CAPITAL IS 300 MILLION TR'S.

7. COMMENT: JUDGING FROM WHAT WE HAVE HEARD TO DATE, THE
"IMPROVED" PROCEDURES ARE LIKELY TO HAVE AT MOST A LIMITED
UTILITY TO WESTERN BANKS AND ENTERPRISES. UTILIZATION OF THIS
UNIT OF ACCOUNT IN TRIPARTITE INTERNATIONAL TRANSACTIONS
MIGHT CONCEIVABLY RESULT IN marginally GREATER TRADE IN
WESTERN GOODS FOR WHICH EASTERN PARTNERS ARE UNWILLING TO
PAY IN CONVERTIBLE CURRENCY BUT FOR WHICH WESTERN SELLERS
ARE WILLING TO ACCEPT PARTIAL PAYMENT IN "SECOND-LINE"
EASTERN GOODS. SO FAR THERE APPEARS TO BE NO RUSH TO USE THE
FACILITIES. MEANWHILE THE PREVAILING OPINION OF INTERESTED
OUTSIDERS SEEMS INCREASINGLY TO REACH THE CONCLUSION THAT
LITTLE IS NEW. A SKEPTICAL SWEDISH COLLEAGUE DESCRIBES THE
PROCEDURES AS JUST NEW DRESSING ON SOMETHING WHICH WAS ALREADY
AVAILABLE OVER ONE YEAR AGO. AND THE LOCAL CHASE MANHATTAN
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REPRESENTATIVE, WHO HAD RECENTLY DESCRIBED THE PROCEDURES

AS AN INTERESTING DEVELOPMENT WHICH COULD STIMULATE EAST-
WEST TRADE, HAS RETURNED FROM NEW YORK WITH THE CONCLUSION
THAT THERE IS MUCH LESS HERE THAN MEETS THE EYE. IT IS
CONCEIVABLE THAT LARGER WESTERN BANKS, WITH NUMEROUS CLIENTS
INVOLVED IN EAST-WEST TRADE, INCLUDING PURCHASES IN EASTERN
EUROPE, MIGHT FIND DEALING IN TR'S PROFITABLE IF EASTERN
PRICING POLICY WAS SUCH AS TO ALLOW SIZEABLE DISCOUNT MARGINS
ON SUCH TR'S. THERE COULD BE SOME ADVNATAGE TO BANKS IN
COUNTRIES WITH BILATERAL CLEARING AGREEMENTS, THOUGH EVEN
HERE THERE SEEMS TO BE NOTHING REVOLUTIONARY IN STORE.
TOON

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Message Attributes

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